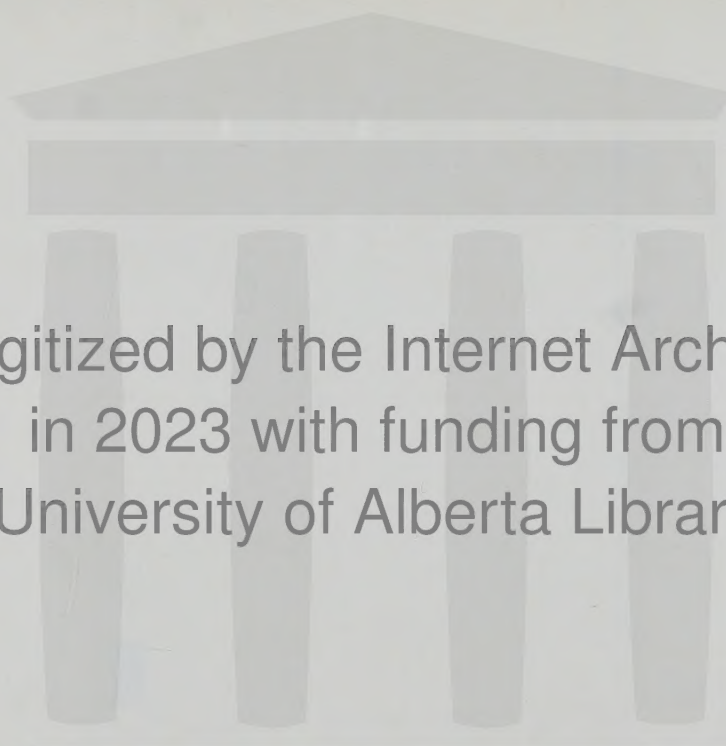


Annual Report 1969-70

MANITOBA TELEPHONE SYSTEM





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ANNUAL REPORT

for the fiscal year ended March 31, 1970

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MANITOBA TELEPHONE SYSTEM
489 EMPRESS STREET
WINNIPEG 10, MANITOBA

MANITOBA TELEPHONE SYSTEM

MINISTER OF FINANCE
THE HONOURABLE S. M. CHERNIACK, Q.C.

BOARD OF COMMISSIONERS

J. F. MILLS
Chairman and General Manager

R. J. DOERN, MLA

N. E. RODGER

D. M. STANES

S. L. DAVIES, Q.C.
Secretary

EXECUTIVE

J. F. MILLS
General Manager

J. FENTON
Assistant General Manager and
Manager of Operations and Engineering

G. V. WILLIAMSON
Comptroller

ADMINISTRATIVE OFFICERS

G. H. BACKHOUSE
General Commercial Manager

F. C. CAVERS
General Plant Manager

J. K. BEATTY
General Counsel

G. A. MUIR
Chief Engineer

J. W. BUTCHARD
Personnel and Public Relations Manager

R. B. ROSS
Architect and Superintendent of Buildings

S. N. WILLIAMS
General Traffic Manager

HIGHLIGHTS OF THE REPORT

EXPANSION OF SERVICES

- Telephones increased 17,539 to total 420,506
- Long distance calls increased 10.6 per cent to 15.8 million
- Local calls increased 6.6 per cent to 968.1 million
- Dial offices established in six communities
- Nearly 96 per cent of System telephones are automatic dial

CONSTRUCTION TO MEET DEMAND

- Some 2,066 miles of wire and cable buried
- 400 long distance circuits added to the provincial toll network
- Seven new radio relay systems placed in service
- Construction of Northern Manitoba radio relay system completed
- 13 new buildings constructed and alterations made to 10 others

FINANCIAL RESULTS

- Capital expenditures amounted to \$29,909,896
- Investment in telephone plant reached \$282,760,286
- Revenue rose 10.8 per cent to \$55,591,181
- Expenses rose 12.1 per cent to \$53,477,800
- Net income amounted to \$2,113,381
- \$17 million bond issue fully subscribed

OUTLOOK FOR THE COMING YEAR

- Dial conversion and rural service improvement will continue
- 28 provincial exchanges will receive Direct Distance Dialing
- 19,700 additional telephones forecasted
- Forecast capital expenditures of \$28.1 million

SUMMARY OF REVENUE AND EXPENSES

	April, 1969 March, 1970	April, 1968 March, 1969	Increase
REVENUES			
Local service	\$22,927,319	\$21,498,292	\$ 1,429,027
Toll service	29,084,243	25,390,408	3,693,835
Miscellaneous	3,782,307	3,462,960	319,347
	<u>55,793,869</u>	<u>50,351,660</u>	<u>5,442,209</u>
Less:			
Uncollectible operating revenues . . .	<u>202,688</u>	<u>176,885</u>	<u>25,803</u>
Total revenues	<u>55,591,181</u>	<u>50,174,775</u>	<u>5,416,406</u>
EXPENSES			
Operation	15,047,105	13,717,423	1,329,682
Maintenance	13,082,114	11,498,714	1,583,400
Depreciation	12,856,104	11,548,962	1,307,142
Operating taxes	1,165,754	1,111,752	54,002
Debt charges	11,326,723	9,841,810	1,484,913
Total expenses	<u>53,477,800</u>	<u>47,718,661</u>	<u>5,759,139</u>
NET INCOME	<u>\$ 2,113,381</u>	<u>\$ 2,456,114</u>	<u>\$ 342,733</u>

Italic figure denotes decrease

THE YEAR IN BRIEF

The year 1969-1970 was one of expansion and growth for the Manitoba Telephone System. It was also one of challenge—with the burden of increasing costs on the one hand, and increasing demands for service in all areas, and in greater variety, on the other.

Capital expenditures of \$29.9 million during the year represented a further investment in the present and future development of the Province. Of this amount, about 66 per cent was spent to meet the requirements of growth while the remaining 34 per cent was used to cover

modernization and the necessary replacement of plant and equipment. The total value of telephone plant reached \$282.7 million.

A significant indicator of growth, for the Province as well as the System, is the gain in the number of telephones in service. The past year saw an increase of 17,539 telephones, a growth not surpassed since 1960. Of the 420,506 System telephones at March 31, 1970, nearly 96 per cent were automatic dial.

The quality, reliability and capacity of our telephone network is reflected in the use made of it by our customers. During the year they placed

over 968 million local calls and more than 15 million long distance calls in the conduct of their business and social affairs.

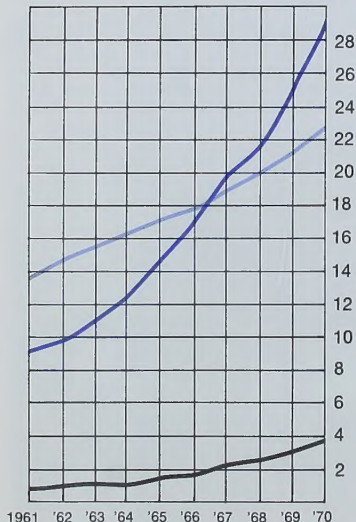
As a result of the continued introduction of efficient, economical Direct Distance Dialing, 76 per cent of all telephones in Manitoba can be used to originate DDD calls.

The System continued to participate fully, as a member of the Trans-Canada Telephone System, in meeting the nation's telecommunications requirements. Among the major projects completed was an electronic switching complex at Portage la Prairie which is part of a defence communications network operated by member

REVENUES

IN MILLIONS OF DOLLARS

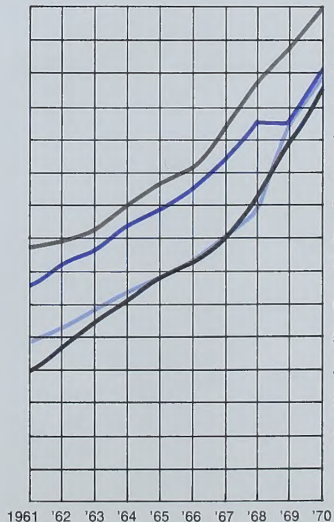
LOCAL SERVICE
TOLL SERVICE
MISCELLANEOUS



EXPENSES

IN MILLIONS OF DOLLARS

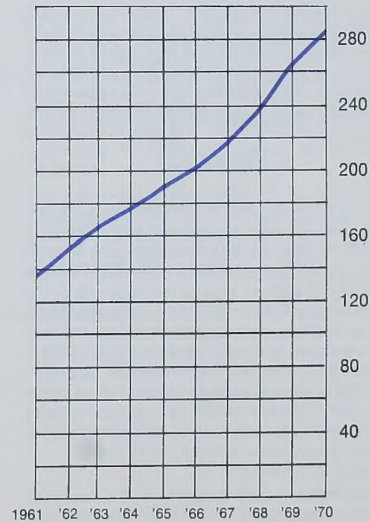
OPERATION
MAINTENANCE
DEPRECIATION
DEBT CHARGES & TAXES



TELEPHONE PROPERTY

IN MILLIONS OF DOLLARS

TOTAL PLANT
IN SERVICE



companies under contract with the Federal Government. A proposal was made to participate in Telesat Canada, the corporation responsible for building and operating a domestic communications satellite system for Canada. MTS, together with other members of the Trans-Canada Telephone System, is co-operating with the Federal Department of Communications in its Telecommission study of the nation's communications operations. The Canadian telephone network is being increasingly called upon to carry a wide variety of data and other forms of communications in addition to regular voice traffic. To meet this need, Trans-Canada Telephone System members have developed a high-speed data transmission network to be operational later in 1970.

The System appreciates the interest and attention given its operations by the Honourable Saul M. Cherniack, Q.C., who during the year became Minister of Finance with responsibility for the Province's public utilities.

Russell Doern, Member of the Legislative Assembly, became a member of the Board of Commissioners. The System gratefully acknowledges the guidance and contribution made by J. H. Chipperfield who retired from the Board after having been a member since its inception in 1962.

FINANCIAL

Revenue from all sources increased 10.8 per cent to \$55,591,181, while expenses rose 12.1 per cent to \$53,477,800. Resulting net income was \$2,113,381, a decrease of \$342,733 from the previous year.

Greater use of the System's long distance service, accounting for more than half of our total operating revenue, was a major factor in sustaining our present revenue position. Contributing to a lesser, but important degree was increasing use of additional service options by customers. Both of these revenue bearing services have been actively promoted in our marketing programme.

The decrease in net income is the result of general rising costs, increased payroll and depreciation expense; however, the most

significant factor was the continuing increase in interest charges, 15 per cent over the previous year.

As a service industry, the System's responsibility is to provide for additions to the telephone network and add to existing services at the requests of new and existing subscribers. Our forecasts do not show any decrease in these requests—the number of telephones installed this year is the second highest in the System's history. There is a continuing need for large amounts of capital monies to provide these services. Interest rates for this capital continue to rise. In addition, fair and equitable treatment

must be given to our employees.

Management is very conscious of the need to increase productivity and to introduce new and improved methods and technology as they become available. However, it is becoming increasingly evident that these measures alone cannot successfully combat rising costs.

Capital expenditures totalled \$29,909,000 for the year. A portion of this requirement was met by a fully subscribed bond issue of \$17,000,000 carrying a record interest rate of 8 per cent, the balance being raised from funds generated within the business. Investment in plant reached \$282,760,286.

It was an important day for Brochet when the first telephone equipment arrived by aircraft from Thompson.



THE NORTH

Among the highlights of the year were the completion of a new radio relay system, provision of the first telephone service for a number of communities, downward revision of certain long distance rates and the initial introduction of Direct Distance Dialing north of the 53rd parallel.

High-capacity communications are provided by a new radio relay system which was completed during the year. The facility has increased the capacity and reliability of long distance telephone communications in the Interlake area and for The Pas, Flin Flon, Cranberry Portage, Snow Lake, Thompson, Wabowden and Gillam. The radio system also carries network television programmes to Fisher Branch, Grand Rapids, The Pas, Flin Flon, Snow Lake, Thompson and Gillam under contract with the Canadian Broadcasting Corporation.

Despite the physical difficulties of terrain and weather, together with a sparse and scattered population, the System has been able to provide some form of telephone communications for 99 per cent of the residents north of the 53rd parallel. In achieving the System's goal of providing communications to all communities with a population of 50 or more persons, toll stations were established in 15 remote northern areas during the year to provide residents with their first radiotelephone link to the outside world.

The System assists outlying northern communities in establishing local telephone service by providing all necessary equipment together with installation assistance at no cost to the communities. By the end of 1970, 27 communities will be served in this way.

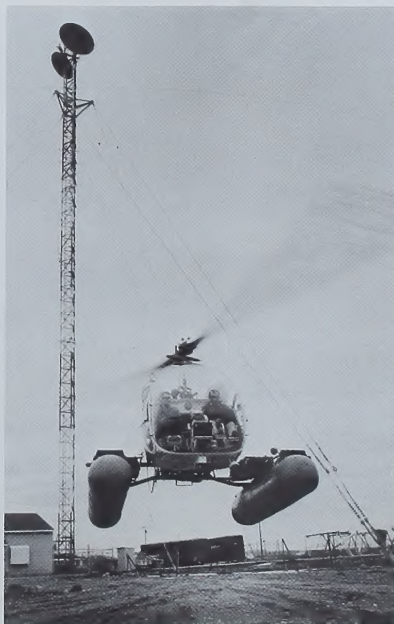
Two significant reductions were made to long distance rates in northern Manitoba. One revision introduced standard rates for calls between Northern Manitoba and points outside the province. The second revision made a major reduction in radiotelephone rates.

During the year, Thompson customers received Direct Distance Dialing, enabling them to dial their own station-to-station long distance calls

to most of the telephones in North America. This marks the initial step in our DDD programme in Northern Manitoba.

A 400-line equipment extension was installed in the Lynn Lake dial office to accommodate residential development, while private line radio systems to serve mining communities were established between Fox Lake and Lynn Lake and between Lily Pad Lake and Wabowden. More long distance circuits were established at Lynn Lake, Wabowden, Cranberry Portage, Churchill and Thompson to meet growing traffic needs.

Total capital investment in northern Manitoba's communications facilities has reached \$14,300,000.



LONG DISTANCE

Manitobans placed 10.6 per cent more long distance calls during 1969-70 for a total of 15.8 million. Improved quality and increasing availability of long distance facilities contributed to this greater use of the toll network during the year.

To meet this added requirement for communications, the System added 400 circuits involving more than 30,000 circuit miles to the provincial toll network. New radio relay installations provided much needed capacity to handle the volume of calls. New systems were established linking Virden with Brandon, Roblin with Dauphin, Fisher Branch with Selkirk, and Brandon via Boissevain with the United States network.

A major addition to the Winnipeg toll office was completed as were additions to various other toll facilities throughout the province.

A total of 52 exchanges in addition to Metro Winnipeg, including 12 exchanges added this year, are now connected to the Direct Distance Dialing network. As an indication of customer preference for this convenient service, 97 per cent of all dialable long distance calls are being placed in this way. DDD is being progressively extended to other areas of the province.

The planning and provision of nation-wide communications, in co-operation with other members of the Trans-Canada Telephone System continue to be an important aspect of System activities. Work was completed on the Manitoba portion of a radio relay system between Winnipeg and Thunder Bay which is part of a second Trans-Canada Network. The Winnipeg to Edmonton portion of the network is now in service. Trans-Canada long distance facilities in Manitoba were increased by 648 circuits during the year.

A System employee leaves Thompson by helicopter to carry out regular maintenance on a remote radio relay installation.

WINNIPEG GROWTH

By the end of the fiscal year, the number of telephones serving Metro Winnipeg had risen to 276,197. Some appreciation of the amount of work involved in telephone growth may be given by the fact that to achieve a net gain of 12,408, the System had to process over 100,000 customer work orders. Included were approximately 57,000 orders to connect service and 45,000 orders to disconnect service.

Equipment additions made facilities available for the forecast growth of customers in 1970-71. Construction of the Gateway Road exchange in the northeastern section of the Metro area was completed. The new exchange will be placed in service during the summer of 1970.

Extensive additions to distribution facilities were required to service new housing developments, apartment blocks and business establishments. The use of buried cable continued. This year, more than 42,600 circuit miles were added to the Metro Winnipeg telephone network.

PROVINCIAL GROWTH

More than 3,100 customers received automatic telephone service during the year, bringing the number of dial telephones in the province to 402,988. Exchanges in the following communities were changed from manual to dial operation: Elie, Gilbert Plains, Plumas, Grandview, Dominion City and Kelwood. Nearly 96 per cent of all System telephones are automatic dial.

While expanding and improving communications, the System also considers the effect of its construction programme on the total environment. Attractive new dial exchange buildings were opened in each of the communities receiving dial service during the year.

The System's continued use of buried facilities helps to preserve the natural attractiveness of urban and rural areas. Last year, a total of 2,066 miles of wire and cable were buried to

extend and rehabilitate telephone plant in the province.

An additional 5,131 telephones were installed in the provincial area, bringing the total in service outside Metro Winnipeg to 144,309. Equipment additions made facilities available for a further growth of customers.

In 1965, the System started an accelerated programme to improve rural service by reducing the average number of customers on each rural line. Since then, 2,151 rural lines have

been added throughout the province and the average number of customers on each rural line has been reduced from 7.3 to 5.7. Some \$8.5 million has been invested in this aspect of the System's rural service improvement programme including \$1.8 million in 1969-70.

Alert to the possibility of flooding in various areas of the province during the spring, advance preparations were made to avert any serious disruption of service and to protect System property and equipment.

Among the modern telephone buildings completed throughout the province was the Gateway Road exchange located in the northeastern section of Metropolitan Winnipeg.



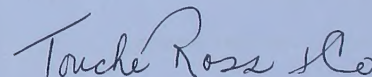
**MANITOBA TELEPHONE SYSTEM
BALANCE SHEET
AND
FINANCIAL STATEMENTS**

AUDITORS' REPORT

To the Commissioners,
The Manitoba Telephone System,
Winnipeg, Manitoba

We have examined the balance sheet of The Manitoba Telephone System as at March 31, 1970 and the statements of income, unappropriated retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the System as at March 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

Winnipeg, Manitoba
May 29, 1970

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1970

	1970	1969
OPERATING REVENUES		
Local service	\$22,927,319	\$21,498,292
Toll service	29,084,243	25,390,408
Miscellaneous	2,090,609	1,766,328
	<u>54,102,171</u>	<u>48,655,028</u>
Less: Uncollectible operating revenues	202,688	176,885
	<u>53,899,483</u>	<u>48,478,143</u>
 OPERATING EXPENSES		
Maintenance	13,082,114	11,498,714
Depreciation	12,856,104	11,548,962
Traffic	5,373,275	5,111,471
Commercial	3,991,566	3,747,954
General and administration	5,682,264	4,857,998
Grants in lieu of taxes and other levies	1,165,754	1,111,752
	<u>42,151,077</u>	<u>37,876,851</u>
 NET OPERATING INCOME	<u>11,748,406</u>	<u>10,601,292</u>
 OTHER INCOME		
Interest and miscellaneous	1,691,698	1,696,632
	<u>13,440,104</u>	<u>12,297,924</u>
 INCOME BEFORE DEBT CHARGES		
 DEBT CHARGES		
Interest	10,853,628	9,467,428
Amortization of bond discount	274,983	186,270
Other fixed charges	198,112	188,112
	<u>11,326,723</u>	<u>9,841,810</u>
 NET INCOME	<u>\$ 2,113,381</u>	<u>\$ 2,456,114</u>

BALANCE SHEET AT MARCH 31, 1970
WITH COMPARATIVE FIGURES FOR 1969

	1970	1969
ASSETS		
TELEPHONE PROPERTY		
Plant and equipment (note 1)	\$282,760,286	\$263,764,855
Less: Accumulated depreciation	82,062,333	78,119,280
	<u>200,697,953</u>	<u>185,645,575</u>
 SINKING FUND (note 2)		
Invested in securities—at cost, 1970 market value \$4,004,417	4,870,906	4,656,524
Amount included with Province of Manitoba sinking fund	7,312,808	8,041,215
Cash in custody of Provincial Treasurer	1,520,857	223,996
	<u>13,704,571</u>	<u>12,921,735</u>
 RESERVE FUND		
Invested in securities—at cost, 1970 market value \$2,429,155 (note 3)	3,034,370	3,138,244
Cash in custody of Provincial Treasurer	103,985	—
	<u>3,138,355</u>	<u>3,138,244</u>
 CURRENT ASSETS		
Cash and temporary cash investments (note 4) .	(458,338)	2,933,713
Accounts receivable	7,166,603	5,963,329
Material and supplies—at cost	3,362,845	2,801,307
Prepayments	569,505	428,693
	<u>10,640,615</u>	<u>12,127,042</u>
 DEFERRED CHARGES		
Unamortized discount on long term debt	2,661,159	2,548,399
Other deferred charges	487,145	360,858
	<u>3,148,304</u>	<u>2,909,257</u>
	<u>\$231,329,798</u>	<u>\$216,741,853</u>

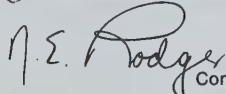
CAPITAL EMPLOYED AND LIABILITIES

	1970	1969
CAPITAL EMPLOYED		
Retained earnings invested in plant	\$ 24,288,759	\$ 21,387,325
Unappropriated retained earnings	4,473,300	4,359,919
Contingency reserves (schedule A)	429,159	447,949
Rate stabilization reserve (schedule B)	3,263,200	3,263,200
Special development reserve (schedule C)	—	901,434
	<u>32,454,418</u>	<u>30,359,827</u>
 LONG TERM DEBT		
Province of Manitoba (schedule D)	40,727,027	47,517,027
Bonds payable (schedule E)	149,579,709	132,579,709
	<u>190,306,736</u>	<u>180,096,736</u>
 NOTES PAYABLE		
Bank loan (payable on demand)	2,000,000	—
 CURRENT LIABILITIES		
Accounts payable	3,714,003	3,468,740
Advance billings and payments	941,348	959,911
Accrued interest	1,913,293	1,856,639
	<u>6,568,644</u>	<u>6,285,290</u>

Approved on behalf of the Board:



Chairman & General Manager



Commissioner

\$231,329,798 \$216,741,853

STATEMENT OF UNAPPROPRIATED RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1970

	1970	1969
BALANCE AT BEGINNING OF YEAR	\$ 4,359,919	\$ 3,903,805
ADDITIONS		
Net income for year	2,113,381	2,456,114
Transfer from special development reserve	901,434	405,068
	<u>7,374,734</u>	<u>6,764,987</u>
 DEDUCTIONS		
Transfer to retained earnings invested in plant	2,901,434	2,405,068
BALANCE AT END OF YEAR	<u>\$ 4,473,300</u>	<u>\$ 4,359,919</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED MARCH 31, 1970

	1970	1969
SOURCE OF FUNDS		
Net income for year	\$ 2,113,381	\$ 2,456,114
Depreciation and amortization	13,677,353	12,218,171
Net recovery from telephone property retired	1,455,148	480,795
Deferred and miscellaneous items	(145,188)	(83,030)
Total from operations	17,100,694	15,072,050
Net proceeds from sale of bonds	16,612,257	17,232,815
Proceeds from notes issued	2,000,000	—
Transfers from reserve fund	—	1,000,750
Decrease in working capital	1,769,781	8,716,034
	<u>\$37,482,732</u>	<u>\$42,021,649</u>
 APPLICATION OF FUNDS		
Government advances repaid	\$ 6,790,000	\$ 9,500,000
Less: Portion from sinking fund	1,735,000	1,900,000
	<u>5,055,000</u>	<u>7,600,000</u>
Gross additions to plant	29,909,896	31,956,421
Contributions to sinking fund	2,517,836	2,465,228
	<u>\$37,482,732</u>	<u>\$42,021,649</u>

NOTES TO FINANCIAL STATEMENTS

1. TELEPHONE PROPERTY

With minor exceptions, telephone property is stated at cost to the System. Values, by class of plant, at March 31:

	1970	1969
Land	\$ 1,611,576	\$ 1,443,727
Buildings and towers	25,448,587	23,580,703
Central office equipment	99,149,057	88,755,577
Station equipment	45,161,726	42,467,982
Pole lines	16,677,674	17,513,554
Aerial cable and wire	25,534,817	25,382,676
Underground cable and wire	41,206,788	35,921,099
Submarine cable	501,346	475,316
Underground conduit	14,338,925	13,307,481
Furniture and office equipment	1,669,610	1,611,151
Vehicles and other work equipment	4,628,765	4,572,140
Plant under construction	6,831,415	8,733,449
	<u>\$282,760,286</u>	<u>\$263,764,855</u>

2. SINKING FUND

The sinking fund is established under requirements of The Manitoba Telephone Act. The System is obligated to pay annually to the Provincial Treasurer, as trustee for the fund, an amount not less than 1% of the long term debt outstanding at the end of the preceding fiscal year and 4% on the sinking fund balance at the end of the preceding fiscal year. Investments of the fund are in securities authorized by The Treasury Act of the Province of Manitoba.

3. RESERVE FUND

These investments are securities of or guaranteed by the Government of Canada or the Province of Manitoba.

4. CASH AND TEMPORARY CASH INVESTMENTS

Composition of this account at March 31 was:

	1970	1969
Cash in banks	\$ 595,338	\$ 1,040,204
Less: Outstanding cheques	1,053,676	2,106,491
	(458,338)	(1,066,287)
Temporary cash investments	—	4,000,000
	<u>\$(458,338)</u>	<u>\$ 2,933,713</u>

SCHEDULE OF RESERVES

	1970	1969
(A) CONTINGENCY RESERVES		
BALANCE AT BEGINNING OF YEAR	\$ 447,949	\$ 473,449
Add:		
Retired employees' contributions to death benefit plan	1,271	1,566
	<u>449,220</u>	<u>475,015</u>
Deduct:		
Self insured losses	12,061	13,566
Payment on death benefit claims	8,000	13,500
	<u>20,061</u>	<u>27,066</u>
BALANCE AT END OF YEAR	<u>\$ 429,159</u>	<u>\$ 447,949</u>

(B) RATE STABILIZATION RESERVE

BALANCE (unchanged during year)	<u>\$3,263,200</u>	<u>\$3,263,200</u>
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(C) SPECIAL DEVELOPMENT RESERVE

BALANCE AT BEGINNING OF YEAR	\$ 901,434	\$1,306,502
Deduct:		
Transferred to retained earnings re capital expenditures made during year	901,434	405,068
BALANCE AT END OF YEAR	<u>\$ —</u>	<u>\$ 901,434</u>

SCHEDULE OF LONG TERM DEBT

	1970	1969
(D) PROVINCE OF MANITOBA		
Advances from the Province of Manitoba		
Series 6G 4% due October 1, 1969	\$ —	\$ 3,290,000
Series 6H 4¼% due March 16, 1970	—	3,500,000
Series 6A 3½% due June 15, 1971 (a)	3,500,000	3,500,000
Series 6B 3½% due September 1, 1971 (a)	1,000,000	1,000,000
Series 6C 3½% due September 15, 1971 (a)	2,000,000	2,000,000
Series 6L 3¼% due October 1, 1975	6,000,000	6,000,000
Series 6P 4¼% due December 15, 1976	4,500,000	4,500,000
Series 6M 3½% due March 15, 1978	7,100,000	7,100,000
Series 7P 6% due December 1, 1979	4,600,000	4,600,000
Series 8G 5¼% due January 15, 1981	11,500,000	11,500,000
United States exchange adjustment	527,027	527,027
	<u>\$ 40,727,027</u>	<u>\$ 47,517,027</u>

(E) BONDS PAYABLE

Debentures issued by the System fully guaranteed by the Province of Manitoba

Series 1H 7¾% due February 15, 1974 (b)	\$ 17,500,000	\$ 17,500,000
Series 1K 8% due September 15, 1974 (c)	17,000,000	—
Series 1A 5½% due February 1, 1982	20,000,000	20,000,000
Series 1B 5½% due November 15, 1983	15,000,000	15,000,000
Series 1D 5¼% due December 1, 1984	12,000,000	12,000,000
Series 1C 5½% due December 2, 1986	12,500,000	12,500,000
Series 1E 5% due January 15, 1991 (a)	14,500,000	14,500,000
Series 1F 6¼% due December 1, 1991	20,000,000	20,000,000
Series 1G 7% due February 15, 1993	20,000,000	20,000,000
Exchange premium at time of issue on bonds payable in United States dollars	1,079,709	1,079,709
	<u>\$149,579,709</u>	<u>\$132,579,709</u>

(a) Payable in United States dollars.
(b) Exchangeable at holder's option prior to August 15, 1973 for 7¾% Series 1J bonds maturing February 15, 1989.
(c) Exchangeable at holder's option prior to March 15, 1974 for 8% Series 1M bonds maturing September 15, 1989

NEW SERVICES

Increasing use of computers by business and industry has had a marked impact on the communications industry. With the computer has come the demand for sophisticated new communications facilities capable of transmitting vast storehouses of information at great rates of speed. The demand for System data transmission services increased sharply during the year.

Nearly 120 data services were provided, including 48 Dataphone sets, 28 Dataline installations and 13 Teletypewriter Exchange Services.

As the range of available business communications becomes wider and more complex, highly trained and skilled System personnel are called upon more frequently by our customers to give expert advice and guidance in the application of telecommunications services.

Larger business installations placed in service during the year included switchboards with capacities of 330 lines, 250 lines and 200 lines. In addition, customer orders were placed for more than 100 smaller dial private branch exchanges.

During the year, the market for Centrex continued to expand with four new customers subscribing to the service. Centrex places switching equipment on System premises where it can be made available for simultaneous use by several customers with large telephone requirements.

The all-Canadian designed and manufactured Contempra phone made its debut in Manitoba during the year. The attractively styled Contempra features a handset incorporating either a miniaturized rotary dial or Touch Tone buttons.

The System also introduced apartment Enterphone, a telephone service which enables apartment dwellers to control lobby doors when visitors call them by phone from the lobby entrance. The unique feature of Enterphone is that it utilizes the customer's conventional telephone in each apartment.

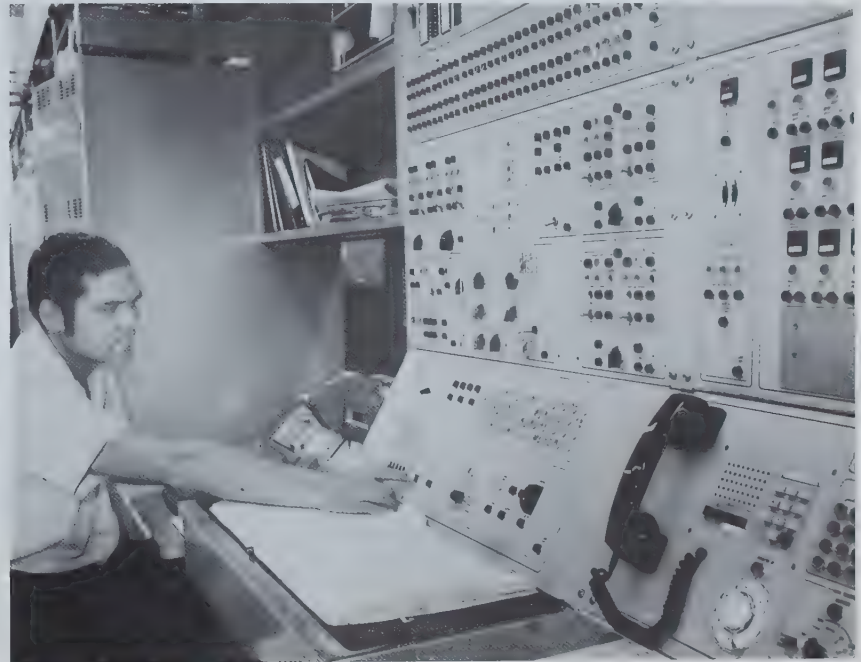
During the year, Touch Tone telephones continued to increase in popularity. Additions were made to Touch Tone facilities in both Brandon and Winnipeg to make the service available to nearly all customers in these centres.

Installation of cable for Metro Winnipeg community antenna television firms is largely completed. The System acts as a carrier only,

while the companies, under Federal Government license, supply the programmes and are responsible for their ultimate delivery to the customer.

Twenty additional Wide Area Telephone Services (WATS) were provided during the year, enabling business customers to place an unlimited number of long distance calls to specified zones across Canada at a flat monthly rate.

This sophisticated MTS installation at Portage la Prairie is an important link in the Canadian Switched Network, an advanced defence communications system.



PERSONNEL

The achievements of the past year are due in a very large measure to the dedication of over 4,100 employees—people who are interested in the work they do, the customers they serve, and the communities in which they live.

Recognizing the development of individual potential as a prime responsibility, the System places strong emphasis on employee training

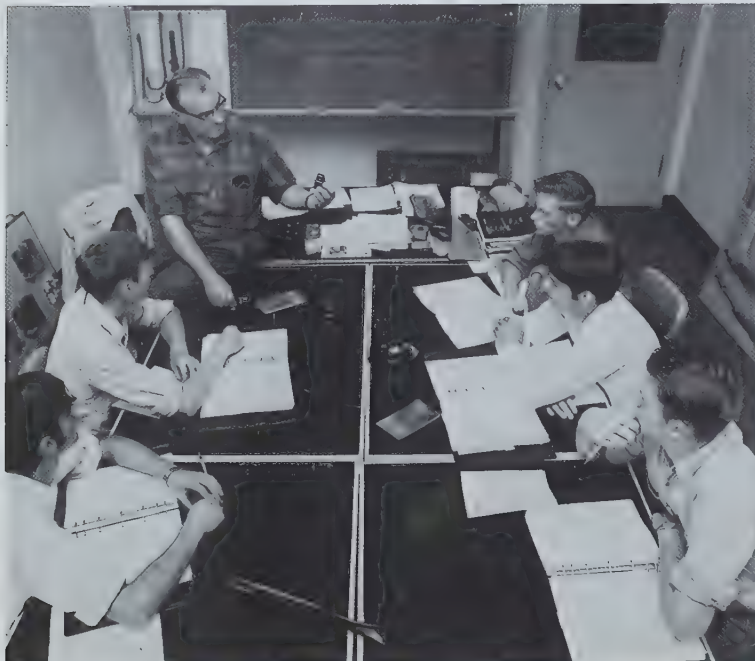
at all levels. Such programmes are designed not only to improve efficiency and skill but to develop capabilities for more challenging work, greater responsibility and maximum job satisfaction, and thus enhance their role as citizens in a fast-changing technological society.

In addition to extensive on-job training given employees throughout the year, the Plant department conducted 258 special training courses involving a total of 45,667 man-hours. Nearly 200 supervisory personnel attended

one-week courses covering modern management techniques.

In keeping with its practice to adopt all practical measures for employee welfare, and in keeping with its continuing emphasis on safe working conditions and habits, the System introduced an extensive eye-protection programme for employees during the year.

A good relationship with employee groups has prevailed throughout the year. One new working agreement was negotiated while other agreements continued in effect.



Extensive training enables employees to do their jobs well.

Eye protection was given special attention in the System's employee safety programme.



TODAY AND TOMORROW

The challenges now faced by the System are unprecedented in variety, scope and complexity. These are posed by the demands for more sophisticated type of service by urban and rural customers alike, changes in customer attitudes and expectations and in the industrial

and social environment in which we operate. Nowhere are these more evident than in the development of northern communications—a subject to which the System is giving particular attention.

The coming year will require capital spending of \$28.1 million—to meet a forecast growth of some 19,700 more telephones and to further our expansion and service improvement

programmes.

Customers in 28 provincial exchanges will receive the convenience of Direct Distance Dialing during the coming year, while over 5,300 customers in 14 exchanges will receive automatic dial telephone service.

Plans are currently underway for the installation of five more radiotelephone console positions—three at The Pas and two at Selkirk with two additional radio channels proposed to complement these facilities. This increased capacity will be available to radiotelephone customers during the spring of next year, while four more toll switchboard positions will be placed in service at The Pas in 1971.

A new high-speed data communications service, the fastest available in Canada, will be provided by the Trans-Canada Telephone System with the introduction of Multicom Service early in 1970—the first time a switched network is used to transmit information at speeds up to 60,000 words a minute.

The System must continue to expand its services to meet immediate telephone needs and to keep pace with sophisticated service demands.

Its plans must be far-sighted as well as realistic—not only meeting today's requirements but also designed to satisfy tomorrow's needs. Essential to their success is the forward commitment of capital, the best possible use of resources, diligent control over operating expenses, and the continued adoption of technological advances and efficient operating techniques.

The problems of today and the challenge of tomorrow—these are inseparable—both require innovation and ingenuity and both must be met in the public interest.



Data transmission facilities supplied by the System carry information between computers at great rates of speed.

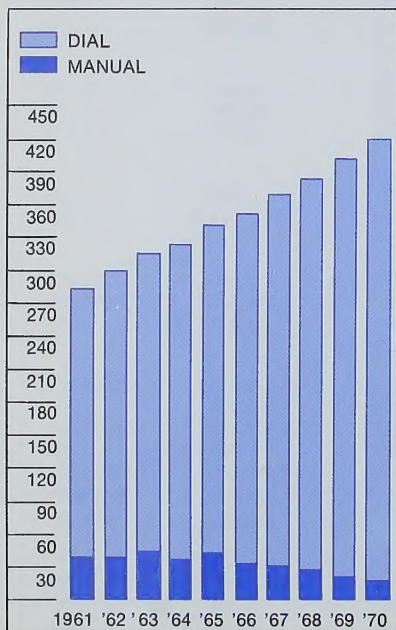
TEN YEARS OF PROGRESS

	1970	1969
NUMBER OF TELEPHONES		
Business	118,083	111,989
Residence	302,423	290,978
TOTAL SYSTEM OWNED	420,506	402,967
Percent Dial of System Owned	95.8	94.3
Private Line and Service Stations in Manitoba	2,668	2,649
TOTAL TELEPHONES IN MANITOBA	423,174	405,616
TELEPHONE MOVEMENT		
Connected	108,653	97,577
Disconnected	91,114	80,502
Increase	17,539	17,075
NUMBER OF CENTRAL OFFICES		
Exchange	234	236
Toll	46	48
PLANT IN SERVICE		
Miles of Poles	16,630	18,233
Miles of Wire (Open, Aerial, Underground)	2,041,227	1,900,596
Miles of Conduit	1,930	1,854
FINANCIAL		
Government Advances	\$ 40,727,027	\$ 47,517,027
Bonds Payable	149,579,709	132,579,709
Telephone Plant (Includes Plant Under Construction)	282,760,286	263,764,855
PER TELEPHONE	672	655
Total Revenues	55,591,181	50,174,775
Total Expenses	53,477,800	47,718,661
NET INCOME	2,113,381	2,456,114
EMPLOYEES		
Men	2,137	2,180
Women	2,036	1,979
TOTAL	4,173	4,159
TOTAL PAYROLL	\$ 26,607,245	\$ 24,752,609

1968	1967	1966	1965	1964	1963	1962	1961
106,436	101,994	96,156	91,521	86,830	82,524	78,889	71,778
279,456	267,685	257,206	248,462	240,516	230,633	221,712	213,549
385,892	369,679	353,362	339,983	327,346	313,157	300,601	285,327
91.7	90.0	88.2	87.3	87.0	86.2	85.8	85.2
2,680	2,577	2,553	2,509	2,083	2,200	2,184	1,831
388,572	372,256	355,915	342,492	329,429	315,357	302,785	287,158
95,943	91,222	82,352	81,215	82,294	75,959	74,122	84,246
79,730	74,905	68,973	68,578	68,105	63,403	58,848	68,570
16,213	16,317	13,379	12,637	14,189	12,556	15,274	15,676
234	230	231	230	227	227	222	223
44	47	49	56	59	66	78	100
19,994	21,278	22,167	22,864	23,085	22,873	22,812	22,678
1,795,077	1,661,490	1,516,211	1,417,825	1,354,742	1,277,857	1,160,549	1,095,402
1,738	1,630	1,518	1,464	1,407	1,353	1,277	1,179
\$ 57,017,027	\$ 56,490,000	\$ 63,724,248	\$ 70,854,248	\$ 75,024,248	\$ 78,403,879	\$ 84,575,818	\$ 95,025,818
115,079,709	95,079,709	75,079,709	59,500,000	47,500,000	35,000,000	20,000,000	—
239,054,762	217,942,253	200,616,358	189,868,031	178,407,619	165,711,825	152,002,246	139,116,347
619	590	568	558	545	529	506	488
44,461,250	41,475,246	36,984,920	33,422,453	30,254,001	27,823,548	25,859,940	23,645,333
42,265,455	37,953,045	34,253,848	32,082,976	30,049,006	27,201,186	25,083,409	23,155,004
2,195,795	3,522,201	2,731,072	1,339,477	204,995	622,362	776,531	490,329
2,194	2,084	2,085	2,021	2,052	1,961	1,846	1,869
2,063	2,042	1,905	1,854	1,834	1,787	1,716	1,661
4,257	4,126	3,990	3,875	3,886	3,748	3,562	3,530
\$ 22,683,143	\$ 20,236,722	\$ 18,225,638	\$ 16,973,328	\$ 16,323,055	\$ 14,844,131	\$ 14,036,874	\$ 13,100,341

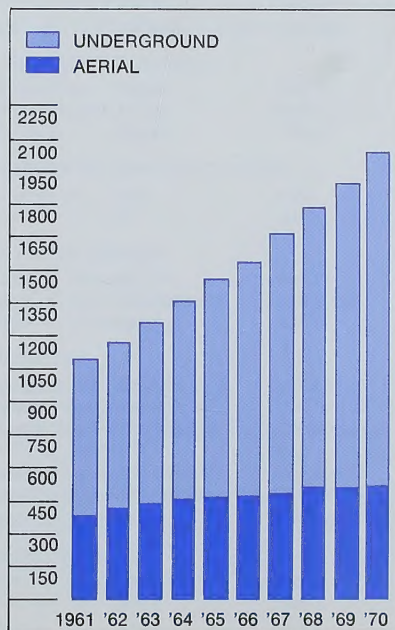
TELEPHONES

In thousands of telephones



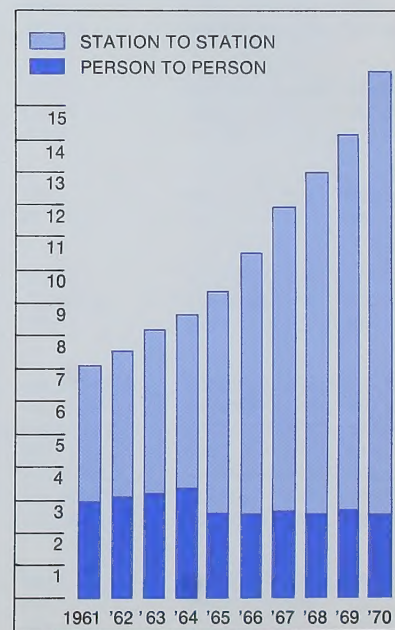
WIRE & CABLE FACILITIES

In thousands of miles



LONG DISTANCE MESSAGES

In millions of messages





Manitoba Telephone System, part of

Trans-Canada Telephone System